
FISCAL UPDATE Article

Fiscal Services Division

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END OF SESSION – HF 2478 – SALES TAX ON CONSTRUCTION EQUIPMENT PURCHASED BY DEALERS

Description. [House File 2478](#) removes the exclusion of construction equipment defined in Iowa Code section [423.3\(37\)](#) from the sale-for-resale sales tax exemption in Iowa Code section [423.3\(2\)](#).

Under current law, the lease of equipment used in construction services (Iowa Code section [423.3\(37\)](#)) and the purchase of tangible personal property for subsequent resale (Iowa Code section [423.3\(2\)](#)) are exempt from sales and use tax. However, the purchase of construction equipment does not qualify for the sale-for-resale exemption if the construction equipment is ever leased to an entity that qualifies for the construction equipment exemption.

For example, if an equipment dealer purchased a piece of construction equipment with the intent to resell, no sales tax is owed. If that piece of equipment is first leased to a nonqualified entity, sales tax of 6.0% is due on the cost of the lease price of the piece of equipment. However, if at a later date the dealer leases the same piece of equipment to a qualified entity that is exempt from sales tax on the lease and uses the equipment in Iowa, the dealer would be responsible for paying the sales tax of 6.0% on the original acquisition cost of that piece of equipment.

Fiscal Impact. [House File 2478](#) is estimated to impact the General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) revenues by at least the following amounts:

Estimated Impact of HF 2478			
	General Fund	SAVE	LOST
FY 2019	\$ -377,000	\$ -75,000	\$ -58,000
FY 2020	-392,000	-78,000	-60,000
FY 2021	-407,000	-81,000	-63,000
FY 2022	-423,000	-85,000	-65,000
FY 2023	-439,000	-88,000	-68,000

Enactment Date. The Act was approved by the General Assembly on May 5, 2018, and signed by the Governor on May 16, 2018.

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